

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

NOTICE OF ADJUSTMENT OF RATES OF )  
KENTUCKY-AMERICAN WATER COMPANY ) CASE NO. 9482

O R D E R

IT IS ORDERED that Kentucky-American Water Company ("Kentucky-American") shall file an original and 12 copies of the following information with the Commission, with a copy to all parties of record, not later than 2 weeks from the date of this Order. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to insure that it is legible. Where information requested herein has been provided along with the original application, in the format requested herein, reference may be made to the specific location of said information in responding to this information request. When applicable, the information requested herein should be provided for total company operations and jurisdictional operations, separately. If neither the requested information nor a motion for an extension of time is filed by the stated date, the case may be dismissed.

1. Please provide a schedule showing the computation of Federal and State income taxes for the test year using the utility operating income per books. Use the same format as Exhibit 4, Schedule 23 and provide supporting schedules comparable to Exhibit 4, Schedules 24, 25, 26 and 27. Reconcile and explain any differences in methodology used to compute this schedule and Exhibit 4 Schedule 23.

2. Provide an itemized schedule of home office and/or intercompany charges for the years 1981, 1982, 1983, 1984 and the test year. Use the same format as item 45(c) of the response to staff request no. 1.

3. Provide detailed explanations for the substantial increases in the following expense accounts:

- a) 613.1, Maintenance of Lake, River and other Intakes.
- b) 617.1, Maintenance of Miscellaneous Water Source Plant.
- c) 641.1, General Chemical Expense - Water Treatment
- d) 643.1, Miscellaneous Expense - Water Treatment
- e) 903.3, Collection Expenses - Customer Accounts Expense
- f) 905.1, Miscellaneous Expenses - Customer Accounts Expense

4. In reference to the 24-inch main in the northeastern quadrant of the distribution system:

a) Has Kentucky-American realized any savings due to decrease in line loss, productivity gains, or other cost savings? If so, identify all savings.

b) Isn't it true that the directional flow of water was somewhat changed by this main installation? If so, identify any savings.

c) Was the decision to install a 24-inch main, as opposed to a smaller main, influenced by anticipated growth in this area? If so, to what extent did anticipated growth influence the determination of the size of the main.

5. In reference to Exhibit No. 4, Schedule 4:

a) Has Kentucky-American analyzed specific expense accounts or done any analysis to determine if 30.98% is a true operating ratio?

b) Has Kentucky-American considered using other methodologies to determine the appropriate adjustment to operation and maintenance expenses? If so, please provide details. If not, what would Kentucky-American consider to be an appropriate analysis for the normalization of operation and maintenance expenses.

6. Kentucky-American has proposed a wage adjustment of \$214,481. Provide the Commission with a schedule independently reflecting the end-of-period wage adjustments and expected wage adjustments to be effective by July 1, 1986.

7. Throughout the past several years Kentucky-American's capital has fluctuated in comparison to its net investment. In some instances capital has exceeded rate base by a substantial

amount. Using the Commission's method of determining capital and rate base provide the following:

a) A schedule showing net investment rate base and capitalization for the years 1981, 1982, 1983 and 1984, as well as the beginning and end of the test year used in this proceeding.

b) An analysis of the changes in both rate base and capital during each period in (a).

c) An explanation of any difference between total net investment and total capitalization for each period in (a).

8. Explain the reasons why the projected demand for the maximum day has changed when compared with the information on the same topic that accompanied Mr. Young's pre-filed testimony in Case No. 9283.

9. Provide a graph that shows as three separate lines the actual and projected maximum day for the Lexington-Fayette Urban County Service area, the actual and projected total Bulk Sales Water Demand for Outside Counties and the actual and projected Individual Water Demand for Outside Counties for the years 1960 through 2005.

10. Give the reasons for the differences in the projections for the outside counties when compared with information on the same topic that accompanied Mr. Young's prefiled testimony in Case No. 9283.

11. Why has Kentucky-American chosen to separate bulk sales from individual customer water demand for outside counties in projecting demand?

12. Provide information concerning the statistical accuracy of the Kentucky-American Water Demand Model.

13. Provide documentation to support the statement that "Reserve capacity planning for water treatment facilities is typically greater than a five (5) year period." (Pages 11 and 12 of Mr. Young's prefiled testimony.)

14. Are the projections for the Outside Counties considered average day demand or maximum day demand estimates?

15. Provide a status report on contracts for service commitments to Woodford, Scott, Bourbon, Jessamine and Harrison Counties.

16. Reconcile the difference between the amount of long-term debt shown in exhibit no. 5, schedule 1, page 1, and the amount of long-term debt used to calculate the 9.97 percent embedded cost in exhibit 5, schedule 2, page 1.

17. Reconcile the difference between the amount outstanding in item 3, schedule 1, and the amount outstanding in item 3, schedule 2, of the staff request dated January 17, 1986.

18. Reconcile the difference between the amount of long-term debt for the test year ended October 31, 1985, as shown in item 1, schedule 1, page 2, and the amount outstanding shown in item 2a, schedule 2, of the staff request dated January 17, 1986.

19. Provide a revised cost of service analysis for the test period in this case with supporting testimony as necessary.

Done at Frankfort, Kentucky, this 21st day of February, 1986.

PUBLIC SERVICE COMMISSION

Richard D. Hemmings  
For the Commission

ATTEST:

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Secretary